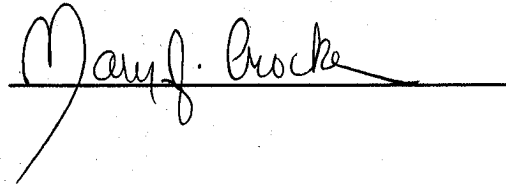


AVAILABILITY OF MODIFIED TEXT

NOTICE IS HEREBY GIVEN that the California Board of Accountancy has proposed modifications to the text of Sections 7.1, 8.1, 88, and 88.2 in Title 16 Cal.Code Reg. which were the subject of a regulatory hearing on March 22, 2003. A copy of the modified text is enclosed. Any person who wishes to comment on the proposed modifications may do so by submitting written comments on or before April 16, 2003, to the following:

Aronna Granick, Regulations Coordinator
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815

DATED: March 25, 2003

A handwritten signature in cursive script, reading "Mary J. Brock", is written over a solid horizontal line. The signature is dark and fluid, with a long, sweeping underline that extends to the right.

MODIFIED TEXT

Changes to the originally proposed language are shown by double underline for new text and underline with strikeout for deleted text.

7.1 Credit Status for the Computerized Uniform CPA Examination.

(a) Upon the commencement of computer-based testing in California, an applicant may sit for the four sections of the computer-based Uniform Certified Public Accountant Examination individually and in any order. An applicant who fails to pass any section of the examination may retake that section. When the applicant has credit for all four sections of the examination within an 18-month period, the applicant shall be considered to have passed the examination.

(b) Except as provided in ~~subsection~~ subsections (c) and (d), an applicant shall retain credit for any section the applicant has passed for an 18-month period beginning with the date that the section of the exam was passed. At the end of the 18-month period, credit for that section expires, and that section must be re-taken and passed to re-establish credit.

(c) A first-time applicant who passes any section of the computer-based Uniform Certified Public Accountant Examination during the six months immediately following commencement of computer-based testing in California shall retain credit for that section for a 24-month period beginning with the date the section of the exam was passed. At the end of the 24-month period, credit for that section expires. The section may be re-taken pursuant to subsection (b) of this section.

~~(d) Applicants under Business and Professions Code Section 5090(b) who have not qualified and applied for licensure on or before December 31, 2003, shall lose credit for all sections of the Uniform CPA Examination on January 1, 2006.~~

~~(d)~~ (e) A candidate may sit for any unpassed section of the examination only one time during each testing window. A testing window is a three-month period as determined by the American Institute of Certified Public Accountants during which applicants may take the exam. There are four three-month testing windows in a year. To allow for routine maintenance, the exam may be unavailable for up to one month during each testing window.

~~(e)~~ (f) Credit for passed examination sections may be extended by the Board because the applicant was prevented from sitting for an unpassed section or sections before credit for passed sections expired pursuant to subsections (b) or (c) because of one of the following events:

(1) Death of an immediate family member. Documentation, such as a copy of the death certificate, must be submitted.

(2) Catastrophic illness, contagious disease, or major traumatic injury to the candidate or immediate family member (spouse, child or parent). Submit an original letter on letterhead from the physician, which includes the date(s), nature of the illness, and the physician's signature.

(3) Natural disaster (earthquake, flood, fire, etc.).

(4) Non-issuance of visa for travel to the U.S. Documentation, such as an official letter from the U.S. Embassy or a copy of the passport indicating a visa was requested, must be submitted.

(5) Other good cause.

NOTE: Authority cited: Section 5010, Business and Professions Code. Reference: Sections 5081, 5082, 5082.1 and 5082.2, 5090, 5092 and 5093, Business and Professions Code.

8.1. The Authorization to Test and Notice to Schedule for the Computer-based Uniform CPA Examination.

(a) An Authorization to Test (ATT) is issued by the Board to permit the applicant to test for specified sections of the computer-based Uniform Certified Public Accountant Examination. An ATT for a specified section or sections of the exam shall go into effect (be open) on the date of issuance. Within 90 calendar days of the date the ATT is issued, the applicant must remit the required fees to obtain a Notice to Schedule (NTS) pursuant to Section 6.1. If the applicant fails to remit fees and obtain the NTS, the ATT shall be deemed expired and the applicant must reapply and be issued another ATT to be able to test for that section.

(b) The NTS will enable the applicant to schedule testing at an examination test center and shall remain open until either the applicant schedules testing for the specified section(s) or nine months have transpired since the date the NTS was issued, whichever occurs first. The ATT will remain open until the applicant completes testing for the specified section(s) or nine months have transpired since the date the NTS was issued, whichever occurs first during the time the corresponding NTS is also open.

(c) If for any reason an applicant does not pass a section of the exam during the time the applicant holds an open ATT for that section, the applicant cannot test for that section until the applicant reapplies and is issued another ATT for that section pursuant to Section 8.2.

(d) An ATT may be suspended by the Board based on a report from the National Association of State Boards of Accountancy that its National Candidate Database has identified a problem related to the applicant. An ATT may also be suspended by the Board for other good cause.

NOTE: Authority cited: Section 5010, Business and Professions Code. Reference: Sections 5081, 5082, 5082.1 and 5082.2, 5092 and 5093, Business and Professions Code.

Section 88. Programs Which Qualify.

(a) The overriding consideration in determining whether a specific program qualifies as acceptable continuing education is that it be a formal program of learning which contributes directly to the professional competence of a licensee in public practice. It is the obligation

of each licensee to select a course of study, consistent with the requirements of this section and Sections 88.1 and 88.2, which will contribute directly to his or her professional competence.

(1) Licensees who renew their licenses after July 1, 2001, shall complete a minimum of 50 percent of the required continuing education hours in the following subject areas: accounting, auditing, taxation, consulting, financial planning, professional conduct as defined in Section 87.7, computer and information technology (except for word processing), and specialized industry or government practices that focus primarily upon the maintenance and/or enhancement of the public accounting skills and knowledge needed to competently practice public accounting.

(2) Licensees who renew their licenses after July 1, 2001, may claim no more than 50 percent of the required number of continuing education hours in the following subject areas: communication skills, word processing, sales, marketing, motivational techniques, negotiation skills, office management, practice management, and personnel management.

(3) Programs in the following subject areas are not acceptable continuing education: personal growth, self-realization, spirituality, personal health and/or fitness, sports and recreation, foreign languages and cultures and other subjects which will not contribute directly to the professional competence of the licensee.

(4) A formal program of learning is an instructional activity that is specifically designed and intended as continuing education meets the requirements of Sections 88.1 and 88.2 or a course for which academic credit is granted by a university, college, or other institution of learning accredited by a regional or national accrediting agency.

(b) The following types of live presentation programs are deemed to qualify as acceptable continuing education provided the standards outlined in Section 88(a), Section 88.1, and Section 88.2 are maintained.

(1) Professional development programs of national and state accounting organizations.

(2) Technical session at meetings of national and state accounting organizations and their chapters which are designed as formal educational programs.

(3) University or college courses:

(i) Credit courses--each semester hour credit shall equal 15 hours toward the requirement. Each quarter hour credit shall equal 10 hours.

(ii) Non credit courses--each classroom hour will equal one qualifying hour.

(4) Other formal educational programs provided the program meets the required standards.

(c) Formal correspondence or other individual study programs are qualifying provided the program is based upon materials specifically developed for instructional use and meets the requirements of Section 88(a), Section 88.1, Section 88.2, and the licensee receives a passing score. Self-study modules for national examinations that contribute to the professional competency of a licensee in public practice, such as the Certified Financial Planner or Certified Management Accountant qualify as acceptable continuing education if the modules meet the above requirements.

(d) The credit as an instructor, discussion leader, or speaker will be allowed for any meeting or program provided that the session is one which would meet the continuing education requirements set forth in Section 88(a), Section 88.1, and Section 88.2. The credit allowed an instructor, discussion leader, or a speaker will be on the basis of actual presentation hours, plus up to two additional hours for actual preparation time for each hour

taught. The maximum credit for such preparation and teaching will not exceed 50 percent of the renewal period requirement. For repeat presentations, an instructor shall receive no credit unless the instructor can demonstrate that the program content was substantially changed and that such change required significant additional study or research. Credit for licensees attending, not as instructors, discussion leader, or speakers, is limited to the actual meeting time.

(e) Credit may be allowed by the Board for the following activities:

(1) writing published articles and books provided the publisher is not under the control of the licensee.

(2) writing instructional materials for any continuing education program which meets the requirements of Section 88(a), Section 88.1, and Section 88.2,

(3) writing questions for the Uniform Certified Public Accountant Examination.

The maximum credit allowed under this subsection (subsection e) should not exceed 25 percent of the renewal period requirement.

Note: Authority cited: Section 5027, Business and Professions Code. Reference: Section 5027, Business and Professions Code.

88.2. Program Measurements.

(a) Live Presentation

In order to qualify as acceptable continuing education under Section 88(b) a live presentation program must:

(1) Be measured in 50 minute class hours. A program must be at least one 50 minute class hour in length to be acceptable continuing education. For a program composed of several segments in which individual segments are less than 50 minutes, the sum of the segments, in increments not less than 25 minutes, may be added together to equal a full 50 minute class hour. For a program that is longer than one 50 minute class hour, credit shall be granted for additional 25 minute segments (one-half of a 50 minute class hour). Only class hours or the equivalent (and not participant hours devoted to preparation or study time) will be used to measure the hours of continuing education.

(2) Meet the provider requirements for live presentation under Section 88.1(a).

(b) Self-Study prior to January 1, 2004.

In order to qualify as acceptable continuing education under Section 88(c) a self-study course must:

(1) Grant continuing education credit equal to the average completion time if the self-study course is interactive. An interactive self-study program is designed to use interactive learning methodologies that simulate a classroom learning process by employing software, other courseware, or technology-based systems that provide significant ongoing interactive feedback to the participant regarding his or her learning progress. These programs clearly define lesson objectives and manage the participant through the learning process by (1) requiring frequent participant response to questions that test for understanding of the material presented, (2) provide evaluated feedback to incorrectly answered questions, and (3) reinforcement feedback to correctly answered questions. Technology-based self-study courses do not constitute interactive self-study courses unless they meet the criteria set forth above.

- (2) Grant continuing education credit equal to one half of the average completion time if the self-study course is non-interactive. Any self-study course that does not meet the above criteria interactive self-study program is deemed non-interactive.
- (3) Require a passing score on a test given at the conclusion of the course.
- (4) Meet the provider requirements for self-study under Section 88.1(b).

(c) Self-Study on or after January 1, 2004.

In order to qualify as acceptable continuing education under Section 88(c), any self-study course completed on or after January 1, 2004, whether in electronic or paper text format must:

- (1) Grant continuing education credit equal to the average completion time if the self-study program course is designed to use learning methodologies that simulate a classroom learning process by employing significant ongoing interactive feedback to the participant regarding his or her learning progress. These programs courses clearly define lesson objectives and manage the participant through the learning process by (1) requiring frequent participant response to questions that test for understanding of the material presented, (2) provide evaluated feedback to incorrectly answered questions, and (3) reinforcement feedback to correctly answered questions. Evaluated feedback means a response specific to each incorrect answer to the study questions that explains why the particular answer is wrong, as each one is likely to be wrong for a different reason. Reinforcement feedback means a response to the correct answer of the study questions that restates and explains why the answer selected was correct.
- (2) Require a passing score on a test given at the conclusion of the course.
- (3) Meet the provider requirements for self-study under Section 88.1(b).

Note: Authority cited: Section 5027, Business and Professions Code. Reference: Sections 5026 and 5027, Business and Professions Code.